

Michaud Pushes Extension and Expansion of Biomass Tax Credit

Wednesday, December 02 2009

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WASHINGTON, DC – As Congress prepares a package of tax provisions for floor action, Congressman Mike Michaud is pushing for an extension of a tax credit that supports the production of renewable energy at biomass facilities. The tax credit, which has been used by Maine paper companies, currently goes to facilities that produce electricity using open-loop biomass.

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In a letter sent to the Chairman of the House Ways and Means committee, Michaud wrote: “In much of rural America, any hope of economic recovery is dependent upon the preservation of the kinds of high-quality jobs that are supported by the biomass and forest products industries. Many of these facilities rely on this credit to make their biomass power operations viable. Letting this credit expire during the worst recession in decades will put businesses that have created green jobs at risk and stifle further investment in the clean energy economy.”

Michaud also called for a strengthening of the current tax credit in his letter to House leadership. Michaud introduced legislation earlier this year to extend and strengthen the tax credit by expanding eligibility to facilities producing renewable biomass electricity that is used on-site. Michaud’s legislation, H.R. 622, currently has 61 bipartisan cosponsors.

“The forest products industry is the leading producer and user of renewable biomass energy, currently accounting for 82 percent of the total biomass energy generated by all industries combined. Regrettably, current law requires that these facilities sell the power generated to an unrelated third party to qualify for the credit. Since many facilities use the electricity that they generate from biomass on-site, they are ineligible for a credit that was meant to encourage biomass investment and power production,” said Michaud.

* The full text of the letter Michaud sent to congressional leaders and the House Ways and Means Committee can be found below.

The Honorable Charles B. Rangel

Chairman, Committee on Ways and Means

1102 Longworth House Office Building

Washington, DC 20515

Dear Chairman Rangel:

As the Committee on Ways and Means works to assemble a tax extension package that will promote job creation and

support the financial viability of businesses throughout the United States, I urge you to extend a tax credit for facilities that produce electricity using open-loop biomass. Currently, the tax credit provided under section 45(b)(4)(B)(ii) of the Internal Revenue Code is set to expire on December 31, 2009. In Maine, this tax credit supports the production of renewable energy at biomass facilities and paper mills in some of the most economically distressed regions of the state.

In much of rural America, any hope of economic recovery is dependent upon the preservation of the kinds of high-quality jobs that are supported by the biomass and forest products industries. Many of these facilities rely on this credit to make their biomass power operations viable. Letting this credit expire during the worst recession in decades will put businesses that have created green jobs at risk and stifle further investment in the clean energy economy. Already in 2009, six biomass plants have closed and another thirteen have been curtailed or are under threat of closure. In the paper industry, four mills have permanently closed and another seventy mills have been curtailed.

Additionally, I ask that you consider strengthening this provision by including language from H.R. 622, legislation that I introduced that expands eligibility for the Section 45 credit to facilities producing renewable biomass electricity that is used on-site. The forest products industry is the leading producer and user of renewable biomass energy, currently accounting for 82 percent of the total biomass energy generated by all industries combined. Regrettably, current law requires that these facilities sell the power generated to an unrelated third party to qualify for the credit. Since many facilities use the electricity that they generate from biomass on-site, they are ineligible for a credit that was meant to encourage biomass investment and power production.

Pulp and paper mills support some of the best manufacturing jobs left in America but they are under pressure. Since 2006, nearly 360,000 forest products employees have lost their jobs—more than a quarter of the industry's total workforce. Not only would this expansion help to maintain the competitiveness of these facilities and the good paying jobs they support, but it would also infuse these operations with needed capital to make equipment upgrades and other facility improvements that will increase energy efficiency and further reduce their carbon foot print.

As the unemployment rate in the United States continues to rise, we must do everything that we can to keep people at work and create job opportunities. I supported the American Clean Energy and Security Act because the legislation took dramatic steps to unleash investments in new clean energy technologies that can be manufactured domestically, supporting high-quality jobs throughout the United States. During the economic downturn, it is essential that we continue to support this industry and the individuals that depend on it by extending and expanding the tax credit for the production of open-loop biomass.

With warmest regards,

Michael H. Michaud

Member of Congress

Cc:

The Honorable Nancy Pelosi

Speaker, House of Representatives

H232, US Capitol

Washington, DC 20515

The Honorable Steny Hoyer

Majority Leader, House of Representatives

H107, US Capitol

Washington, DC 20515

The Honorable James E. Clyburn

Majority Whip, House of Representatives

H-329, US Capitol

Washington, DC 20515

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